

CLARK COUNTY, WASHINGTON

MANAGEMENT'S DISCUSSION AND ANALYSIS

Clark County's discussion and analysis offers readers of the County's financial statements a narrative overview and analysis of the County's financial activities for the fiscal year ended December 31, 2001. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, and in the financial statements and notes to the financial statements (which immediately follow this discussion).

The implementation of the new financial reporting requirements under GASB Statement #34 (Basic Financial Statements – and Management's Discussion and Analysis- for State and Local Governments) makes the County's 2001 Comprehensive Annual Financial Report significantly different than those of previous years. New features include this Management's Discussion and Analysis, the Government-wide Statement of Net Assets, the Government-wide Statement of Activities, the concept of major fund reporting, and the reporting of infrastructure capital assets and long term debt liabilities in the governmental activities. These concepts are explained throughout this discussion and analysis.

FINANCIAL HIGHLIGHTS

- The net assets of Clark County exceeded its liabilities at December 31, 2001 by \$432 million dollars. Net assets invested in capital assets (net of depreciation and related debt) account for nearly 48% of this amount, with a value of \$207.5 million. Of the remaining net assets, nearly \$137 million may be used to meet the government's ongoing obligations to citizens and creditors, without legal restriction.
- As of December 31, 2001, Clark County's governmental activities reported combined ending fund balances of \$385 million. Of that amount \$180 million was invested in capital assets, \$88 million was legally restricted for specific projects or programs, and \$117 million was available for spending at the government's discretion.
- Unreserved fund balance for the General Fund was eight million dollars at December 31, 2001, amounting to nine and a half percent of total General Fund expenditures for 2001.
- Unreserved fund balance for the county road fund was seven million dollars at December 31, 2001, amounting to 13% of total road fund expenditures for 2001.
- The County issued \$37 million in general obligation bonds to expand the County campus as reflected in the Campus Development Capital Fund. The project includes a new public service center building, additional courtroom and court administration space, and the remodeling of other County buildings. At the end of 2001, \$13 million had been spent on this project.
- In 2001, the County refinanced \$31 million in revenue bonds in the Sanitary Sewer Fund, which resulted in lower debt service costs for the County. Unrestricted net

CLARK COUNTY, WASHINGTON

assets for the fund was eight million dollars at December 31, 2001, amounting to more than twice the amount of fund expenses for 2001.

- Clark County's total long term debt at December 31, 2001 was \$147 million, with a remaining capacity for non-voted debt at \$262 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Clark County's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements

There are two government-wide financial statements, which are designed to provide readers with a broad overview of Clark County's finances in a manner similar to a private-sector business. Both of the government-wide financial statements distinguish functions of Clark County that are principally supported by taxes and intergovernmental revenues (referred to as "governmental activities") from functions that are intended to recover all or a significant portion of their costs through user fees and charges (referred to as "business-type activities"). The governmental activities of Clark County include a full range of local government services provided to the public, such as law enforcement and public safety; the superior, juvenile, and district court systems; legal prosecution and indigent defense; jails and corrections; road construction and maintenance; community planning and development; parks and open space preservation; and care and welfare of the disadvantaged and mentally ill. In addition, other general government services are provided, such as elections, property assessment, tax collection, and the issuance of permits and licenses. The business-type activities of Clark County include solid waste, wastewater, and clean water management.

The statement of net assets presents information on all of Clark County's assets and liabilities, with the difference between the two reported as net assets. This statement serves a purpose similar to that of the balance sheet of a private-sector business. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. However, this is just one indicator of financial health of the County. Other indicators include the condition of the County's infrastructure systems (roads, drainage systems, bridges, etc.), changes in property tax base, and general economic conditions within the County.

The statement of activities presents information showing how the government's net assets changed during 2001. Because it separates program revenue (revenue generated by specific programs through charges for services, grants, and contributions) from general revenue (revenue provided by taxes and other sources not tied to a particular program), it shows to what extent each program has to rely on taxes for funding. All changes in net assets are reported using the accrual basis of accounting, similar to the method used by most private-sector companies. The accrual basis of accounting requires that revenues be reported when they are earned and expenses are reported when the goods and services are received, regardless of the timing of the cash

CLARK COUNTY, WASHINGTON

flow. Items such as uncollected taxes, unpaid vendor invoices for items received in 2001, and earned but unused vacation leave will be included in the statement of activities as revenue and expense, even though the cash associated with these items will not be received or distributed in 2001.

The County has no separately identified component units included in the government-wide financial statements. By virtue of the County's authority to exercise influence over its operations, the Industrial Revenue Bond Corporation is reflected as a blended component unit special revenue fund and its financial data is included in governmental activities. You will find further information regarding this blended component unit in the *Summary of Significant Accounting Policies*, on the first page of the notes to the financial statements. The County has also reported its investment in one governmental joint venture: Clark Regional Emergency Services Agency (CRESA). A description of this joint venture is found in note V.D. of the notes to the financial statements.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Clark County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Clark County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. Governmental Funds are used to account for most, if not all, of a government's tax-supported activities. Proprietary Funds are used to account for a government's business type activities, where all or part of the costs of activities are supported by fees and charges that are paid directly by those who benefit from the activities. Fiduciary Funds are used to account for resources that are held by the government as a trustee or agent for parties outside of the government. The resources of fiduciary funds cannot be used to support the government's own programs.

Governmental Funds

The Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances present separate columns of financial data for the General Fund, the County Road Fund, and the Campus Development Capital Project Fund, all of which are considered to be major funds, based on criteria established by GASB Statement #34. (GASB Statement #34 defines a major fund as a fund whose assets, liabilities, revenues or expenditures comprise 1) at least 10% of the total dollar amount of the same category within either all government or all enterprise funds, as appropriate, and 2) at least 5% of the total dollar amount of all governmental and enterprise funds combined for the same category. The General Fund is always considered a major fund.) Data from the remaining governmental funds are combined into a single, aggregated presentation. The governmental fund financial statements can be found immediately following the government-wide financial statements. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements, outside of the basic financial statements (following the notes to the financial statements).

CLARK COUNTY, WASHINGTON

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements' use of accrual accounting, governmental fund financial statements focus on near-term inflows and outflows of spendable resources and on balances of spendable resources available at the end of the fiscal year. Such information is useful in evaluating a government's near-term financing requirements in comparison to near-term resources available.

Because the focus of governmental fund financial statements is narrower than that of government-wide financial statements, it is useful to compare information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide reconciliation to the governmental activities column in the government-wide statements, in order to facilitate this comparison.

The County maintains budgetary controls over its operating funds. The objective of budgetary controls is to ensure compliance with legal provisions embodied in the biennial appropriated budget. Budgets for governmental funds are established in accordance with state law, and are adopted on a fund level, except for the General Fund, which is adopted on a department level. Personal services are budgeted by full-time positions. Capital outlays are approved on an item by item basis or project basis. A budgetary comparison statement is provided for the General Fund and all special revenue and capital funds, to demonstrate compliance with the budget. Major fund budgetary variance statements are included with the basic financial statements. All non-major fund budget variances follow the notes to the financial statements. Budgetary variances for the General Fund are discussed in some detail later in this section.

Proprietary Funds

There are two types of proprietary funds. Enterprise Funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its solid waste, clean water, and wastewater operations. Internal Service Funds (the second type of proprietary funds) accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its vehicle fleet, election services, insurance reserves, radio and computer equipment replacement reserves, and various other administrative services. The revenues and expenses of the internal service funds that are duplicated in other funds through allocations are eliminated in the government-wide statements, with the remaining balances included in the governmental activities column.

Proprietary fund statements follow the governmental fund statements in this report. They provide the same type of information as the government-wide financial statements, only in more detail, since both apply the accrual basis of accounting. In comparing the Proprietary Fund Statement of Net Assets to the business-type column on the Government-Wide Statement of Net Assets, you will notice that the total net assets

CLARK COUNTY, WASHINGTON

agree, and therefore need no reconciliation. In comparing the total assets and total liabilities between the two statements, you will notice slightly different amounts. This is because the "internal balances" line on the government-wide statement combines the "due from other funds" (asset) and the "due to other funds" (liabilities) from the proprietary fund statement in a single line in the asset section of the government-wide statement.

The proprietary fund financial statements provide separate information for the Sanitary Sewer Fund, which is considered to be the only major proprietary fund of the County. All other enterprise funds are aggregated into a single presentation, as are all internal service funds, in the basic proprietary fund financial statements. Individual fund data for each of the non-major proprietary funds is provided in the form of combining statements. The proprietary fund combining statements follow the governmental fund combining statements in this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support Clark County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Clark County has three types of fiduciary funds: 1) Investment Trust funds (which report the external portion of the County's investments), 2) Private Purpose Trust funds (which report trust arrangements where the principal and interest benefit those outside of the primary government), and 3) Agency Funds (which are clearing accounts for assets held by Clark County in its role as custodian until the funds are allocated to the private parties, organizations, or government agencies to which they belong). The basic fiduciary fund financial statements can be found following the proprietary fund financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements in this report.

CLARK COUNTY, WASHINGTON

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. Clark County's net assets total \$432,618,376 at December 31, 2001. The following table reflects the condensed Government-Wide Statement of Net Assets. Since this is the initial period of Clark County reporting on a government-wide basis, as required by the implementation of GASB Statement #34 reporting standards, there is no audited previous year comparable data available. Comparable data will be provided in the 2002 Comprehensive Annual Financial Report.

Clark County's Net Assets

	Governmental Activities 2001	Business-Type Activities 2001	Total Activities 2001
Current and other assets	231,892,897	64,734,654	296,627,551
Capital assets and construction in progress (net of depreciation)	283,079,425	71,629,593	354,709,018
Total assets	514,972,322	136,364,247	651,336,569
Long-Term liabilities	103,239,298	44,120,704	147,360,002
Other liabilities	26,181,995	45,176,196	71,358,191
Total liabilities	129,421,293	89,296,900	218,718,193
Net Assets:			
Invested in capital assets, net of related debt	179,840,127	27,604,961	207,445,088
Restricted	88,318,651	0	88,318,651
Unrestricted	117,392,251	19,462,386	136,854,637
Total net assets	385,551,029	47,067,347	432,618,376

Clark County's total assets stand at over \$651 million as of December 31, 2001. Of this amount, \$355 million is accounted for by capital assets, which includes some infrastructure and construction in progress. Historically, infrastructure (roads, bridges, drainage systems, etc.) has not been included in capital asset reporting for governmental activities. GASB Statement #34 requires that all capital assets, including infrastructure, be reported. However, GASB Statement #34 does allow the reporting of infrastructure in two stages. Prospective reporting of infrastructure is required the first year of implementation of GASB Statement #34 (stage 1). Accordingly, all projects and acquisitions that occurred in 2001 have been reported. Retroactive reporting of projects acquired or finished prior to the first year of implementation is allowed at a later date (stage 2). The County elected to defer implementing retroactive infrastructure until 2002. Out of nearly \$355 million in capital assets reported at December 31, 2001, \$102 million (29%) is accounted for by infrastructure acquisitions and construction in progress in 2001 (including the right-of-way land associated with these projects).

CLARK COUNTY, WASHINGTON

Additionally, the government must elect to either 1) depreciate these assets over their estimated useful life or 2) develop a system of asset management designed to maintain their condition perpetually and to report on their condition within the financial statements. These two methods are referred to as the depreciation method and the modified approach, respectively. A government may elect to report based on a combination of these two methods, on a system by system basis. The County is considering using the modified approach on infrastructure systems in the future.

Of the remaining County assets, approximately \$151 million were accounted for in cash, cash equivalents, and pooled investments, \$93 million in accounts receivable, \$49 million in notes receivable, and \$3 million spread among miscellaneous assets.

At December 31, 2001, the County had outstanding liabilities of \$219 million, with slightly over \$148 million in long term liabilities. Of the long term liabilities, \$8 million was due within a year, with the remainder due over an extended period of time. Refer to the notes to the financial statements (note IV.8.) for a more in depth discussion of long term debt.

Included in *other liabilities* in the table are \$45 million in deferred revenue, \$10 million in accounts payable, \$11 million in accrued liabilities, and \$4 million in deposits payable to customers.

The largest portion of the County's net assets (47%) reflects its investment in capital, less any outstanding related debt used to acquire those assets. The County's capital assets are used to provide services to citizens. Consequently, investments in capital are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Twenty percent of the County's net assets are subject to external restrictions on how they may be used (restricted by the Revised Code of the State of Washington or by contractual agreements with parties outside of the primary government). The remaining balance of \$136,854,637 (unrestricted net assets), represents the amount that may be used to meet the County's ongoing obligations.

At December 31, 2001, Clark County reports positive balances in all three categories of net assets, for the government as a whole, as well as for governmental activities. Business-type activities report positive balances in both capital and unrestricted assets, with no restricted assets.

Statement of Changes in Net Assets

The County's total net assets increased by \$58 million in 2001. The increase was split among governmental activities (\$57.4 million) and business-type activities (\$0.8 million). Key elements in changes in net assets are shown in the following table.

CLARK COUNTY, WASHINGTON

Clark County Changes in Net Assets

	Governmental Activities	Business-Type Activities	Total Primary Government
Revenues			
<i>Program Revenues:</i>			
Charges for services	43,349,672	12,718,337	56,068,009
Operating Grants and contributions	49,115,050	353,449	49,468,499
Capital Grants and contributions	26,842,990	2,231	26,845,221
<i>General revenues:</i>			
Taxes	98,829,210	0	98,829,210
Gain/(loss) on sale of assets	1,776,950	(3,013,686)	(1,236,736)
Interest earnings on investments	8,815,630	1,219,385	10,035,015
Total revenues	228,729,502	11,279,716	240,009,218
Program Expenses:			
General government	37,724,191	0	37,724,191
Public safety	49,887,576	0	49,887,576
Judicial	6,624,707	0	6,624,707
Physical environment	1,884,227	0	1,884,227
Transportation	20,028,724		20,028,724
Economic environment	16,950,324	0	16,950,324
Health and human services	25,859,689	0	25,859,689
Culture & recreation	7,854,481	0	7,854,481
Solid Waste	0	1,417,288	1,417,288
Water	0	2,497,649	2,497,649
Sewer	0	5,872,045	5,872,045
Interest on long term debt	5,183,340	0	5,183,340
Total Expenses - before transfers	171,997,259	9,786,982	181,784,241
Excess (deficiency) of revenues over (under) expenditures	56,732,243	1,492,734	58,224,977
Transfers	707,351	(707,351)	0
Change in Net Assets	57,439,594	785,383	58,224,977
Net assets as of January 1 - restated for change in accounting principal	327,714,417	46,281,964	373,996,381
Prior period adjustment	397,018	0	397,018
Net assets as of December 31	385,551,029	47,067,347	432,618,376

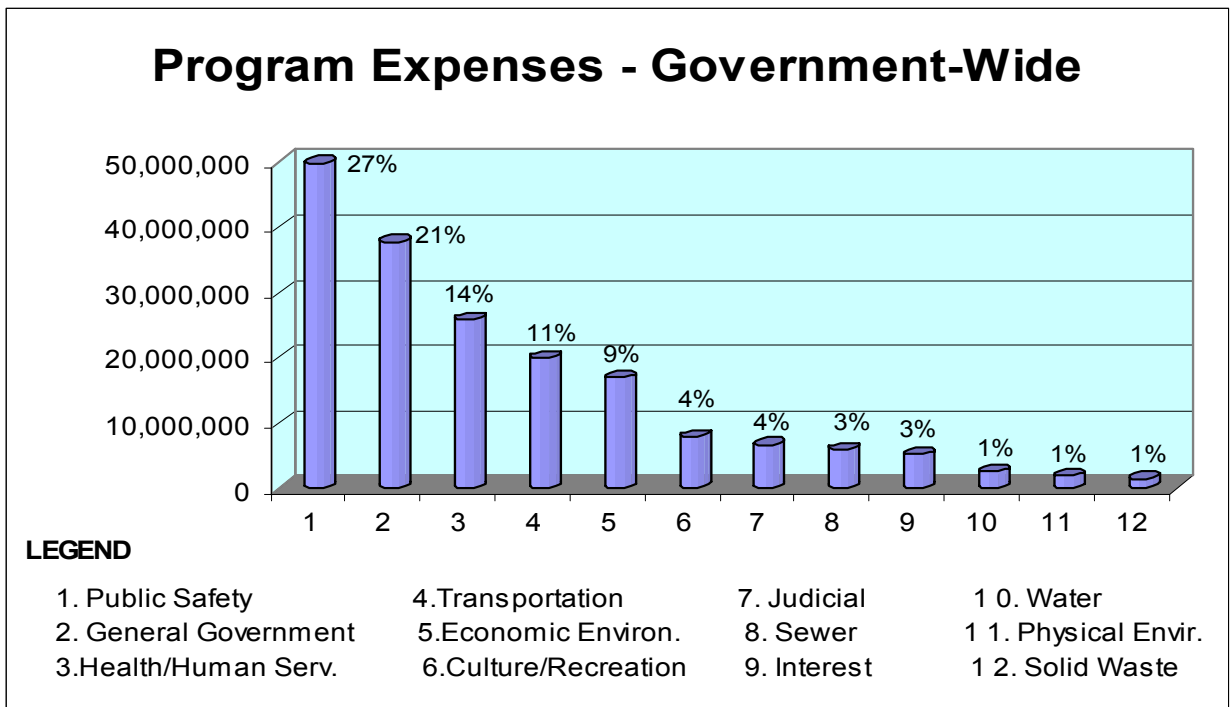
Total revenues for Clark County were \$240 million in 2001. Governmental activities provided nearly \$229 million (95%), while business-type activities added just over \$11 million. Within governmental activities, tax revenue accounted for 43% of total revenue sources, with grants and contributions accounting for 33%. The remaining 24% of revenue were provided by charges for services, interest income, and gain on the sale of assets.

Within business-type activities, there was a three million dollar loss on the disposition of assets. This is a result of transferring the Meadow Glade sewer system (at a net book value of \$2,674,358) to Hazel Dell Sewer District (hereafter, referred to as the District). Clark County constructed the system in 1992-93 in response to a high septic system failure rate in the area and the resulting health hazards. The County ceased sewer collection services in 1993. At that time the District took responsibility, through an interlocal agreement, for maintaining the system, collecting customer connection fees, and reimbursing the County for their share of construction (the Federal EPA funded nearly 75% of the system). The District assumed responsibility for the remaining debt related to the Meadow Glade sewer system when the system was transferred.

CLARK COUNTY, WASHINGTON

Of the \$14.3 million in business-type program revenues and interest earnings, 89% was provided by charges for services, with the remaining amount provided by grants, contributions, and interest income.

Expenses for the year totaled almost \$182 million. Governmental activities accounted for just over \$171 million (94%), with the largest program expenses in the areas of public safety, general government, health and human services, and transportation, respectively. These four programs accounted for 78% of total governmental expenses. Of the \$10.5 million in business-type expenses, 56% are associated with the sanitary sewer segment. Following is a graph, which illustrates by program where funds were spent in 2001.



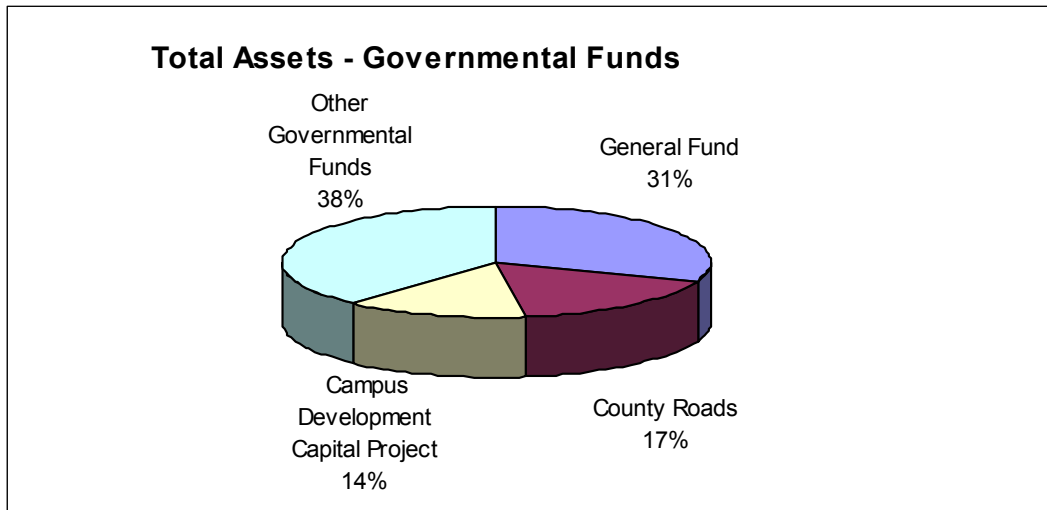
CLARK COUNTY, WASHINGTON

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, Clark County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Following are financial analysis of the County's governmental and proprietary funds.

Governmental Funds Balance Sheet Analysis

The General Fund, County Roads Fund, and Campus Development Capital Fund are the County's major funds. Together these three funds account for 62% of total governmental fund assets and 43% of total governmental fund balance.



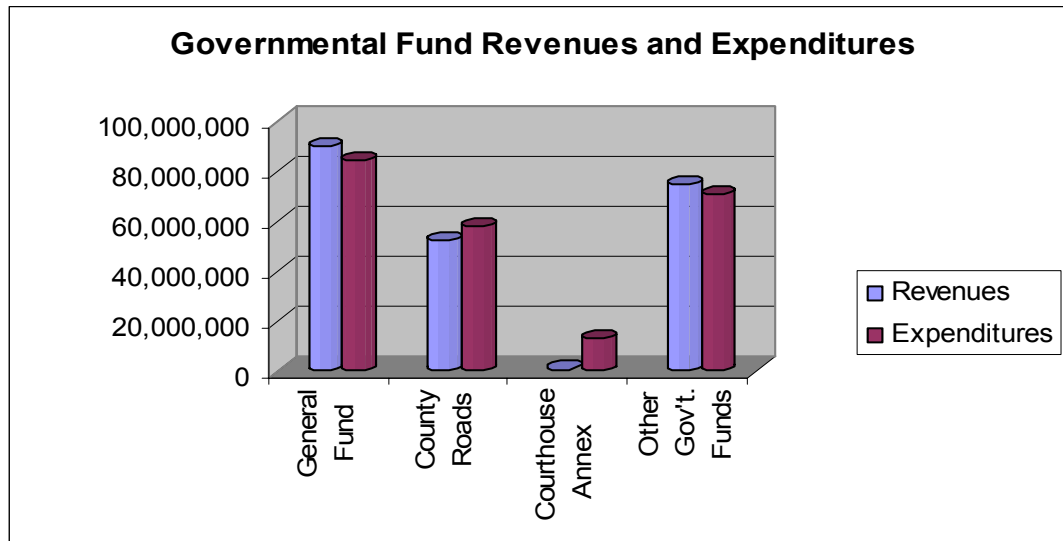
The focus of Clark County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of December 31, 2001, the County's governmental funds reported combined ending fund balances of nearly \$107 million. Of this total amount, nearly \$105 million (98%) is unreserved and available for spending within the designated funds. Reserved fund balance in the amount of slightly over \$2 million is not available for new spending because it has already been committed to prepaid expenses, interfund advances, and debt service.

The General Fund is the chief operating fund of Clark County. On December 31, 2001, unreserved fund balance of the General Fund was \$8 million, while total fund balance reached \$9 million. Total assets in the General Fund amounted to \$66 million, accounting for 30% of total governmental fund assets.

CLARK COUNTY, WASHINGTON

Governmental Funds Revenue/Expenditure Analysis

The following chart shows the revenue and expenditure amounts for the three major governmental funds and for all other governmental funds.



The revenue indicators in the chart do not include one time only financing sources, such as proceeds from new debt or the sale of assets. The General Fund and the County Roads Fund together account for 65% of all governmental fund revenue and 63% of expenditures. The Campus Development Capital Fund falls into the category of major funds by the merits of its total assets. In 2001, this fund received debt proceeds of \$37,090,000, with its only other revenue source being interest investment of \$721,808.

The net change in fund balance for the General Fund in 2001 was a deficit of \$3.8 million. This deficit is largely due to transfers out to other funds for operational subsidies and specific capital items in excess of \$17.6 million (the General Fund received seven million dollars in transfers in from other funds, largely for law enforcement programs). The Campus Development Capital Fund had a net change in fund balance of \$29 million, due to \$37 million proceeds from long term debt. Governmental Funds had an overall net change in fund balance of \$32.9 million to the positive.

CLARK COUNTY, WASHINGTON

Enterprise Funds Net Assets Analysis

The Sanitary Sewer Fund is Clark County's only major enterprise fund, accounting for 89% of total assets and 72.6% of net assets for all enterprise funds at December 31, 2001. The activities of this fund entail maintenance and operation of the Salmon Creek Wastewater Treatment Plant. The following table reflects the Proprietary Funds Statement of Net Assets for the year ending December 31, 2001.

Clark County			
Proprietary Funds Net Assets			
	Business-Type Activities - Enterprise Funds		
	Sanitary Sewer	Non Major Funds	Totals
Assets			
Current assets			
Cash and cash equivalents	8,206,217	11,284,509	19,490,726
Other current assets	558,361	702,675	1,261,036
Total current assets	8,764,578	11,987,184	20,751,762
Noncurrent assets			
Contracts receivable	44,486,643	0	44,486,643
Capital Assets	74,652,059	3,547,883	78,199,942
Less Accumulated depreciation	(5,956,259)	(614,090)	(6,570,349)
Total noncurrent assets	113,182,443	2,933,793	116,116,236
Total assets	121,947,021	14,920,977	136,867,998
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	560,354	632,950	1,193,304
Bonds, notes and loans payable	2,458,825	180,000	2,638,825
Total current liabilities	3,019,179	812,950	3,832,129
Noncurrent liabilities			
Deferred revenue - HDSD	44,486,643	0	44,486,643
Compensated absences	0	96,072	96,072
Advance due to other governments	2,450,498	0	2,450,498
Long term debt payable	37,835,309	1,100,000	38,935,309
Total noncurrent liabilities	84,772,450	1,196,072	85,968,522
Total liabilities	87,791,629	2,009,022	89,800,651
Net Assets			
Invested in capital assets, net of related	25,951,168	1,653,793	27,604,961
Unrestricted	8,204,224	11,258,162	19,462,386
Total net assets	34,155,392	12,911,955	47,067,347

As of December 31, 2001, the County's enterprise funds reported combined net assets of \$47 million, with \$34 million (73%) being contributed by the Sanitary Sewer Fund. Of the \$47 million, nearly \$28 million (59%) of net assets is accounted for by investment in capital assets, net of related debt. The remainder of \$19 million is unrestricted and available for spending in accordance with the needs of the County.

CLARK COUNTY, WASHINGTON

Enterprise Funds Revenue/Expenditure Analysis

Revenues from the Sanitary Sewer Fund contributed 54% of the total revenues for enterprise funds in 2001. Following is a table, which gives a condensed look at revenues, expenses, and net change in fund balance for the enterprise funds.

Clark County Washington Enterprise Funds Revenues and Expenses

	Sanitary Sewer	NonMajor Enterprise Funds	Total Enterprise Funds
REVENUES			
Charges for services	6,933,871	5,673,628	12,607,499
Interest and investment revenue	667,221	552,164	1,219,385
Operating grant revenue	0	353,449	353,449
Miscellaneous revenue	98,140	12,698	110,838
Total revenues	7,699,232	6,591,939	14,291,171
EXPENSES			
Personal services	705,805	1,227,847	1,933,652
Contractual services	493,929	604,572	1,098,501
Other supplies and expenses	492,150	1,926,063	2,418,213
Depreciation	1,682,045	93,363	1,775,408
Gain/(Loss) on disposition of capital assets	2,674,359	339,327	3,013,686
Interest expense	2,498,116	63,092	2,561,208
Total expenses	8,546,404	4,254,264	12,800,668
Income (loss) before transfers	(847,172)	2,337,675	1,490,503
Capital contributions and interfund transfers	(405,679)	(299,441)	(705,120)
Change in net assets	(1,252,851)	2,038,234	785,383
Total net assets -- beginning	35,408,243	10,873,721	46,281,964
Total net assets -- ending	34,155,392	12,911,955	47,067,347

Charges for services for business-type activities equated to \$12.6 million in 2001 and accounted for over 98% of 2001 expenses. Operating grant revenue brought in \$353,449 in 2001 (with nearly that entire amount being used for solid waste operations), while interest on investments and miscellaneous revenue contributed an additional \$1.3 million.

At \$12.8 million, total expenses ran 90% of total revenues in 2001. Of this amount, 43% was spent on general operations, 14% was accounted for by annual depreciation on capital assets, 20% went to debt interest, and the remaining 23% was accounted for by loss on the disposition of assets.

CLARK COUNTY, WASHINGTON

GENERAL FUND BUDGETARY HIGHLIGHTS

The following table shows the changes between the original and the final biennial General Fund budget as of December 31, 2001.

Clark County Washington General Fund Changes in Budget as of December 31, 2001

	Original 2001/2002 Budget	Final 2001/2002 Budget	Changes Positive (Negative)
Revenues:			
Taxes	120,017,663	120,047,663	30,000
Licenses & permits	1,573,500	1,483,500	(90,000)
Intergovernmental	22,463,403	22,399,241	(64,162)
Charges for services	22,767,087	24,521,823	1,754,736
Fines & forfeitures	5,929,227	5,929,227	0
Miscellaneous	7,395,616	7,401,616	6,000
Total revenues	180,146,496	181,783,070	1,636,574
Expenditures			
General government	67,253,531	67,719,961	466,430
Public safety	83,969,786	85,163,632	1,193,846
Judicial	12,440,576	12,686,399	245,823
Physical environment	92,894	98,240	5,346
Transportation	85,907	135,107	49,200
Economic environment	149,000	150,000	1,000
Health and human services	3,771,860	3,774,070	2,210
Culture and recreation	6,866,020	7,054,130	188,110
Debt service-principal	26,794	1,160,794	1,134,000
Debt service-interest	0	123,000	123,000
Total expenditures	174,656,368	178,065,333	3,408,965
Excess (deficiency) of revenues over expenditures	5,490,128	3,717,737	(1,772,391)
Sale of capital assets	827,936	827,936	0
Transfers in	14,727,986	15,810,430	1,082,444
Transfers out	(21,030,426)	(26,454,419)	(5,423,993)
Excess (deficiency) of revenues other sources over expenditures	15,624	(6,098,316)	(6,113,940)
Fund Balance as of January 1	0	7,049,102	7,049,102
Fund balance as of December 31	15,624	950,786	935,162

Differences between the original General Fund budget and the final amended budget were minimal. Budgeted revenues increased by 0.9% (\$1.6 million) from the original budget while budgeted expenditures increased by 2% (\$3.4 million).

The largest change in the revenue budget was in charges for services. A reallocation from intergovernmental revenues to charges for services (related to work crew labor charges) accounts for \$874,076 in increases. Some other large increases in the budget were \$124,000 for information technology fees from the City of Vancouver, \$94,000 for title company access charges, \$245,000 for recording fees and imaging services, and \$214,000 for law enforcement and court related service charges. Within the intergovernmental revenue category, the decrease of \$874,076 that was due to the reallocation mentioned above was offset by a budget increase in revenues of \$809,914. The budget increases were due to additional grants and other funding received for the USDA Food Program (\$100,000), Department of Justice Meth Grant (\$84,597), State Criminal Alien Assistance Program (\$389,637), state funding to supplement jury fees (\$90,000), a juvenile criminal justice grant (\$103,000), and several small grants (\$42,680).

CLARK COUNTY, WASHINGTON

The final General Fund budget showed an increase in expenditures in all programs. The largest increase in expenditures is in public safety, due to a redesign of the Special Intervention Program that serves juvenile offenders. This increase is funded by a reallocation of budgeted expenses from mental health funds and a federal grant. Transfers out increased by \$5.4 million, mainly for one time capital outlay for parks, information technology, geographic information systems, and operating subsidies to planning and code and central support services.

Clark County Washington General Fund Revenues, Expenditures, and Changes in Fund Balance - Budget (GAAP Basis) and Actual as of December 31, 2001

	Final 2001/2002 Budget	Actual Biennium-To- Date	Variance Positive (Negative)
Revenues:			
Taxes	\$ 120,047,663	\$ 58,147,800	\$ (61,899,863)
Licenses & permits	1,483,500	940,769	(542,731)
Intergovernmental	22,399,241	12,428,168	(9,971,073)
Charges for services	24,521,823	12,264,422	(12,257,401)
Fines & forfeitures	5,929,227	2,798,381	(3,130,846)
Miscellaneous	7,401,616	3,838,826	(3,562,790)
Total revenues	181,783,070	90,418,366	(91,364,704)
Expenditures			
General government	67,719,961	29,202,050	38,517,911
Public safety	85,163,632	43,285,848	41,877,784
Judicial	12,686,399	6,597,690	6,088,709
Physical environment	98,240	50,482	47,758
Transportation	135,107	23,836	111,271
Economic environment	150,000	75,000	75,000
Health and human services	3,774,070	1,867,809	1,906,261
Culture and recreation	7,054,130	3,230,236	3,823,894
Debt service-principal	1,160,794	17,762	1,143,032
Debt service-interest	123,000	1,226	121,774
Total expenditures	178,065,333	84,351,939	93,713,394
Excess (deficiency) of revenues over expenditures	3,717,737	6,066,427	2,348,690
Sale of capital assets	827,936	791,767	(36,169)
Transfers in	15,810,430	7,040,636	(8,769,794)
Transfers out	(26,454,419)	(17,675,160)	8,779,259
Excess (deficiency) of revenues other sources over expenditures	(6,098,316)	(3,776,330)	2,321,986
Fund Balance as of January 1	7,049,102	12,796,935	5,747,833
Fund balance as of December 31	\$ 950,786	\$ 9,020,605	\$ 8,069,819

The County adopts a biennial budget. Since we are in the first year of the biennium, the variance between the final budget and the 2001 actuals is difficult to analyze in depth. Total revenues are at approximately 50% of budget at the end of 2001. Licenses and permits are running slightly ahead of the "50%" target at 63%, due to continuing growth in the County's housing market, while fines are slightly below at 47%.

CLARK COUNTY, WASHINGTON

Expenditures are 47% of budget at the end of 2001, with public safety, judicial, and physical environment programs running slightly above target (all are between 51% and 52%). All other programs were at or below their estimated target budget at 50% at the end of the year. Transfers out were at 67% of budget at the end of the year, due to several one time transfers. In 2001 \$3.6 million was transferred to the information reserve capital fund, largely to cover the cost of the purchase and implementation of the financial management system. A total of \$3.5 million in one-time transfers were made to fund parks acquisition, planning and code operational costs, new GIS cad equipment, and the health district capital facility fund.

Proceeds from the sale of capital assets reached 96% by the end of 2001. The General Fund ended 2001 by reducing fund balance from \$12 million to \$9 million mainly because of one-time designated transfers to other funds for capital and operating improvements.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

Clark County's total investment in capital assets, including construction in progress, for its governmental and business type activities as of December 31, 2001, amounts to almost \$355 million (net of accumulated depreciation). This investment in capital assets includes land, buildings, system improvements, machinery and equipment, park facilities, and construction in progress on buildings and systems. It does not include investments in infrastructure projects that were purchased or completed prior to January 1, 2001. It is anticipated that those assets will be included in the 2002 Comprehensive Annual Financial Report. Major capital asset events during the current fiscal year included the following:

- A variety of projects for both new street construction and for expansion of existing streets were ongoing during the year. Infrastructure projects completed in 2001 amounted to \$5.8 million. Another \$32.4 million was spent in 2001 on infrastructure projects that will continue on into 2002.
- Construction of a new public service building and parking structure, as part of the downtown campus development project, continued in 2001 with accumulated expenses of \$13.6 million during the year.
- In fall of 2001 the County began implementation of a new financial management system that is scheduled to be completed in the fall of 2002. The cost will be approximately \$4 million.
- Vehicles, street equipment, and trailers were added to the fleet as either new equipment or replacements during the year, at a cost of \$2.5 million.
- Park acquisitions amounting to \$4.6 million were added to the capital assets in 2001.

Additional information on Clark County's capital assets can be found in note IV.4 of this report.

CLARK COUNTY, WASHINGTON

Long-Term Debt

At December 31, 2001, Clark County had total bonded debt outstanding of \$141 million (governmental activities had bonds payable of \$100 million, while business-type activities had \$41 million in bonds payable). Of this amount, \$413,954 is special assessment debt for which the government is liable in the event of default by the property owners subject to the assessment. The full faith and credit of the government back the remainder. Revenue bonds (bonds secured solely by specified revenue sources) represent \$39.5 million (net after discounts and premiums) of the County's bonded debt, while \$101.1 million is comprised of general obligation bonds.

Clark County's total bonded debt had a net change of \$25 million (increase) during 2001. Significant debt activity in 2001 included a new issue of \$37 million for the new public service building and downtown campus development project (in the Campus Development Capital Fund), a refunding of revenue bonds in the Sanitary Sewer Fund for \$31 million (which, by the nature of a refunding, retired previous bond debt), as well as debt retirements accomplished through scheduled principal payments made during the year. The County's remaining capacity for non-voted debt at December 31, 2001 was approximately \$262 million. Clark County maintains an "Aa3" rating from Moody's for general obligation debt. Additional information on the County's long-term debt can be found in note IV.8.

ECONOMIC FACTORS

There have been a series of voter initiatives over the last several years, as well as State of Washington and Federal legal changes that will have an impact on future finances of the County. A listing of conditions and decisions that may significantly affect the future financial condition of the County follows:

- Referendum 47, which was approved statewide by voters in November 1997, limits the growth of property tax revenue to the level of a specific measure of inflation (the implicit price deflator) plus new construction, unless the Board of County Commissioners takes explicit action to identify a "special needs" exception.
- In November 1999, the voters in Washington approved Initiative 695, which eliminated the annual motor vehicle excise tax and replaced it with a \$30 annual fee on motor vehicles. As a result, a portion of funding the County receives from the State for law and justice was reduced by approximately \$3 .1 million. The County received partial funding of approximately \$1.1 million in 2000 and 2001, and anticipates annual installments of approximately \$650,000 in 2002 and 2003, after which time the partial funding will most likely discontinue.
- Senate Bill 6211 – SB 6211 took effect in 1997. This bill allows counties to recoup costs for regional services for misdemeanor offenders. This includes the costs associated with District Court, Corrections, and Jail Services. In 2001, the County recouped about \$4.7 million.
- The listing of several species of salmonids under the Endangered Species Act will have a monetary impact on the County. Ordinance revisions and changes in ongoing operations to protect fish and habitat will have an associated expense. To date, restoration projects have been funded both by county contributions and outside revenues.

CLARK COUNTY, WASHINGTON

- NPDES requirements under an anticipated new permit are expected to cost \$12 million over the next several years for stormwater management to help stop the discharge of pollutants into our lakes, streams and aquifers. Funding for this stormwater system will come from user fees that started in 2000.
- On April 24, 2000 the Board passed a resolution initiating a home rule process and setting forth an election of 21 freeholders to engage in an effort that would define the form of county government and draft a charter that would then be voted on by the voters of the County. The freeholders have been elected to a three-year term ending December 31, 2003 or upon submission of a draft charter for public vote, whichever comes first.

Requests for Information

This financial report is designed to provide a general overview of Clark County's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Auditor's Office, Clark County, 1200 Franklin Street, P.O. Box 5000, Vancouver, WA, 98666-5000.